



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

December 7, 2010

MEMORANDUM

TO : Impact Aid Program Applicants  
State Representative for Impact Aid  
Others Interested in the Impact Aid Program

FROM : Delores J. Barber  
Acting, Director *Delores J. Barber*  
Impact Aid Program

SUBJECT : Impact Aid Program Audit Findings—Memorandum #2010-4

The purpose of this memo is to provide some additional guidance to Sections 8002 and 8003 recipients and their auditors on the Impact Aid Program portion of the OMB A-133 Compliance Supplement and Single State Audit Findings. Sections 8003(b) and 8002 funds are not subject to OMB Circulars A-87 and the A-102 Common Rule. Although these exemptions are outlined in the Impact Aid section of the A-133 Compliance Supplement, we have received a significant number of audit findings for internal control or material weaknesses pertaining to management of expenditures from Section 8003(b) Basic Support Payments. This memo highlights and provides additional information on this issue that you should feel free to share with your auditors during the annual audit process.

As noted in the A-133 document, section 8002 and 8003(b) Impact Aid funds are available as general aid for free public education and may be used for current operating expenditures or capital outlays in accordance with State laws. **Auditors are not expected to perform any tests with respect to the expenditure of these funds.** Most of the Education Department General Administrative Regulations (EDGAR) also do not apply to these Impact Aid funds. Therefore, when auditors make findings that relate to the expenditures of section 8002 or 8003(b) funds, we generally have no basis to sustain the findings. One example of this type of unsustainable finding is that no time and attendance records were kept for employees whose salaries were paid for, in part or in full, with Section 8003(b) funds. While we would advise Impact Aid recipients to keep time and attendance records for employees, since it reflects prudent fiscal management, it is not a violation of the Impact Aid requirements to not do so. We also strongly advise Impact Aid grantees to adhere to all state and local laws pertaining to grant management and procurement in the use of their Impact Aid funds.

Additional funds provided for federally connected children with disabilities under Section 8003(d) of the formula and construction funds awarded under Section 8007 of the Impact Aid statute remain subject to OMB Circulars A-87 and A-102, and applicable provisions of EDGAR.

We hope that these clarifications will assist you and your auditors during the audit process to avoid the issuance of findings that cannot be sustained by the Department. If you or your auditors have any questions or need additional information on this topic, please contact the Impact Aid Program at 202-260-3858 or by e-mail at [Impact.Aid@ed.gov](mailto:Impact.Aid@ed.gov).